

## **Final report of the gold team**

Fifty-five years have passed since the Holocaust consumed the lives of millions of Jews and non-Jews alike in the crematoria, gas chambers, and the killing fields of Europe. For as many years, religious leaders, scholars and politicians focused their intellectual attention and remembrance activities on the unfathomable nature of the human losses, the wholesale devastation of entire communities. But they did not address the sordid question of the Nazis' wholesale thefts of public and private property that once belonged to Jews and other victims of Nazism. The most opprobrious thefts involved the confiscation of gold valuables from European Jews before they were dehumanized, deported and massacred by the Nazis and their collaborators.<sup>1</sup>

The Presidential Advisory Commission on Holocaust Assets in the United States (PCHA or the Commission) assembled a Gold Team to expand on two landmark reports produced in 1997 and 1998—the Preliminary Report (Slany I) and the Supplemental Report (Slany II).<sup>2</sup> The Commission charged the gold team with researching the “collection and disposition” of “gold bullion, monetary gold, or similar assets, after such assets had been obtained by the Nazi government of Germany from governmental institutions in any area occupied by the military forces of the Nazi government of

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<sup>1</sup> Decree dated February 21, 1939, issued by the Reich Ministry of Economics, which required Jews to deliver their personal property “to the appropriate organizations.” Gold coins and gold bars went to the Reichsbank. Document No. 3951-PS, Office of Chief of Counsel for War Crimes, Statement of Albert Thoms, May 8, 1946, RG 238, US Counsel for the prosecution of Axis Criminality, Entry 1, Box 209, File: US evidence, NACP, 203552.

<sup>2</sup> US and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II – Preliminary Study, May 1997 (Slany I) and US and Allied Wartime and Postwar Relations and Negotiations with Argentina, Portugal, Spain, Sweden, and Turkey on Looted gold and German External Assets and US Concerns About the Fate of the Wartime Ustasha Treasury – Supplement to Preliminary Study, June 1998 (Slany II).

Germany” which came “in the possession of or under the control of the Board of Governors of the Federal Reserve system or any Federal Reserve bank....”<sup>3</sup>

The Gold Team identified eleven questions, the answers to which are summarized below. The complete answers to these questions are in the main body of the text.

#### 1/ **Gold policy of the United States**

Slany I and Slany II<sup>4</sup> did not discuss the context within which the United States government negotiated looted gold settlements with the neutral countries. In order to fully appreciate the reasons for which the negotiations produced settlements representing only a small portion of the actual amount of looted gold secreted in those countries, The Gold Team studied the evolution of the US gold policy under the Roosevelt and Truman administrations. At each milestone in the process of restituting monetary gold and in the debate over victim gold, there loomed the overarching presence of the gold policy.

How did the gold policy of the United States government influence the restitution of monetary gold after the Second World War?

The gold policy weighed heavily on decisions made by senior US officials at the State, Treasury, and War Departments to promote early restitution of monetary gold to countries that had lost all or part of their monetary reserves during the war. There was little consideration given to return looted gold to its rightful owners, hence the principle of the gold pool from which monetary gold bars and coins were distributed to claimant nations on a pro-rated basis.<sup>5</sup>

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<sup>3</sup> Sections 3(a)1(C) and 3(a)2(A), Public Law 105-186, 105<sup>th</sup> Congress, June 23, 1998, US Holocaust Assets Commission Act of 1998, 22 USC 1621.

<sup>4</sup> US and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II – Preliminary Study, May 1997 (Slany I) and US and Allied Wartime and Postwar Relations and Negotiations with Argentina, Portugal, Spain, Sweden, and Turkey on Looted gold and German External Assets and US Concerns About the Fate of the Wartime Ustasha Treasury – Supplement to Preliminary Study, June 1998 (Slany II).

<sup>5</sup> The US State Department considered for a short while a legal method of effecting restitution of looted gold held in the neutral countries to its rightful owners. It proposed that the governments-in-exile of the countries which had been stripped of gold by the Germans should initiate lawsuits in the courts of the neutral countries for recovery of the gold in their possession. The State Department believed that this strategy would strengthen the resolve of the neutral governments to “refuse the purchase of German gold because title is actually questioned in their own courts.” Stettinius to US Embassy in London, August 30, 1944, Secret, RG 131, Foreign Funds Control, General Files, Box 388, File: Gold Note, NACP, 225876-877.

How did the gold policy of the United States government influence the possible incorporation of looted and victim gold in the monetary reserves of the United States?

Under the gold policy of the United States, the Treasury was allowed to purchase gold regardless of origin. American investigators at the end of the war produced conclusive evidence that the Nazis had recast and refined the personal belongings of Nazi victims into monetary gold bars and coins for sale to foreign countries. The type of bar most likely to contain victim gold was the Prussian Mint bar. Thousands of these bars found their way into the United States after the end of the Second World War.

**2/ Victim gold**

Slany I addresses the question in basic terms.<sup>6</sup> There is a mention of the possibility of looted or victim gold having entered the gold pool when the residual TGC gold at the FRBNY is discussed as the genesis of a campaign by the United States and Great Britain in 1997 to ask the last ten remaining claimant countries to forgo their claims and donate the bars to a humanitarian fund that will benefit the survivors of the Holocaust and their families.

How much victim gold fell into the control and possession of the United States in Europe during and after the Second World War?

The Gold Team was unable to answer this question for a variety of reasons. Firstly, Slany I and II, relying on a study prepared by the Office of Special Investigations (OSI) of the US Department of Justice, went to great lengths to demonstrate the complexity of the question as it pertained to a single case study—the Melmer account at the Reichsbank.<sup>7</sup> The discovery of the Melmer account at the Reichsbank and the deciphering of the Reichsbank's wartime gold bar ledgers conjured visions of bars containing the melted-down chemical residue of the personal belongings of Nazi victims. From that time on, the United States government knew that among the thousands of bars

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<sup>6</sup> Slany I, 182: "...the US Government knowingly contributed gold looted by Nazi Germany from individual persecutees to the Gold Pool..."; Slany II, 174-175. However, no evidence was unearthed indicating that any US official attempted to assay the gold bars added to the TGC gold pool. The Gold Team based its research findings on the fact that Prussian Mint bars, Degussa bars and unmarked gold bars were the most likely to contain victim gold. See Appendix C1.

<sup>7</sup> In Slany I, the Final Inventory of SS shipments of the Melmer Account captured at Merkers, provided approximate weights for types of items. The FED counted 6,427 coins in August 1945 (see footnote 26: Memo from Lt. Col. H.D. Cragon, Chief of Currency Section to Bernstein, Dir. of Financial Branch, G-5, USFET, "Gold Coins in SS Loot," Aug. 20, 1946. NACP RG 260, Entry Finance, Box 463, File: 960.15. The Gold Team research produced another count: 8643 coins, 68,943.2 gross weights, converted to 1,997.845 fine ounces, valued at \$69,924.57 (not included in Howard Report). Schedule F: Gold I FED gold coin inventoried by FED (not included in Howard Report). NACP RG 260, Entry Finance, Box 533, File: Holland Capital Levy). Also includes gold coin from Buchenwald (Shipment 16) 523 coins, \$4,339.68. same Schedule F.

and hundreds of thousands of gold coins slated for restitution to claimant countries lay an undetermined amount of victim gold.<sup>8</sup>

### 3/ Law 53 gold

Slany I and II barely mention Law 53 gold.<sup>9</sup> Although both studies indicate that Law 53 gold ended up at the Federal Reserve Bank of New York (FRBNY), they do not address the ultimate disposition of that gold in the postwar era.<sup>10</sup>

<sup>8</sup> Rosenbaum to Eizenstat, March 10, 1997, Papers of the Office of the Historian, US Department of State. An unspecified percentage of gold coins found at Merkers and later transferred to the TGC came from victims of the Nazis. Gold coins stolen from individuals financed Nazi operations in the neutral countries. In Spain, for example, "the German Embassy in Madrid regularly used looted coins and ingots, some of which came from individual victims, to fund its operations during the War." The State Department believes that some of these victim coins ended up in the Spanish Institute of Foreign Exchange (IEME). After the Allied settlement was signed, the IEME used looted gold to guarantee commercial loans made by New York banks to the Spanish government. Rita Baker to Bennett Freeman, June 25, 1998, "Research and Remembrance: The U.S. and Allied Wartime and Postwar Negotiations with Spain and other neutral countries regarding looted monetary gold and other German assets," p. 7, Office of the Historian, US Department of State.

<sup>9</sup> Slany I, 179-180, fn. 77: Telegram 5528 from HICOG Frankfurt, Jun. 27, 1950. NACP RG 59, Decimal Files 1950-54, Lot 70D516, Box 14, File: 200.6241 Gold/6-2750; Telegram 128 from Brussels, Jul. 27, 1950, NACP RG 59, Decimal files 1950-54, Lot 70D516, Box 14, File: 200.6241 Gold 7-2750; Telegram 739 to HICOG Frankfurt, Jul. 28, 1950 and State Department memo from Baker to McDiarmid, Jul 17, 1950. NACP RG 59, Decimal Files 1950-1954, Lot 70D516, Box 14, File: 200.6241 Gold/6-2750; Letter and Telegram exchanges between British Embassy in Washington, DC, and the Foreign Office, Jul. 14, Jul. 31, Aug. 8 and Aug. 16, 1950, copies supplied by the British Embassy.

<sup>10</sup> The office of the US High Commissioner for Germany (HICOG) contacted the TGC to inform it that gold collected under Law 53 was forthcoming and forwarded a list of the gold bars, gold coins and other gold. When the schedule of Law 53 gold circulated in 1952, neither the TGC nor the Federal Reserve Bank nor the Departments of State and Treasury questioned the inclusion of this gold into the pool. The United States, the United Kingdom and France quickly approved its inclusion in the gold pool. The FRBNY notified the TGC on February 26, 1952, of the receipt of the gold. The gold coinage consisted of 934 US coins and more than 8,800 coins from seventeen countries, including Germany. The gold bars included ten Prussian State Mint bars, 386.5 bars of varying sizes from the Deutsche Gold- und Silber-Scheideanstalt Vormal's Roessler (DEGUSSA) and 123 bars of varying size and shape of unknown origin. A large proportion of the non-US coins were evaluated as having some numismatic value. Some of the other gold coins, not of numismatic value, were eyed by Treasury Secretary John W. Snyder who considered acquiring them but decided against it. Except for four "good delivery" bars, all the items from this shipment were sent to the US Assay Office for conversion. Because of the multiple operations required by the unusual forms of gold in this lot, the gold was entered into the TGC's account in two parts: 19,116.412 Troy ounces of fine gold on June 24, 1952 and 20,795.845 Troy ounces of fine gold on October 3, 1952. Paper submitted by the Federal Reserve Bank of New York to the London Conference on Nazi Gold, December 2-4, 1997, Papers of the Office of the Historian, US Department of State. Telegram Department of State to Brussels for Fox, November 13, 1951, NACP, RG 84, Entry 2113N, Box 3 [206641]. Letter K.A. Keyserlingk to Homer S. Fox, December 11, 1951, with attached list of gold, NACP, RG 59, Entry 5382, Box 5 [201758-761]. Letter K.A. Keyserlingk to Homer S. Fox, with attached list of gold, NACP, RG 84, Entry 2113M, Box 5 [206425-431]. Letter TGC Commissioners to FRBNY, January 25, 1952,

What happened to the Law 53 gold (gold surrendered as foreign exchange assets by German citizens after the surrender of the Third Reich under US Military Government Law No. 53) that fell under the control of the United States government?

Law 53 gold was also characterized as non-monetary monetary gold—a category of gold for which the US military and the State Department were unable to define a coherent restitution policy. Most of the Law 53 gold was deposited in the vaults of the former Reichsbank branches. Some of it was transferred to the Foreign Exchange Depository (FED) in Frankfurt, Germany, and then re-deposited in a German bank. The Gold Team also know that a small amount of Law 53 gold was shipped to the Federal Reserve Bank of New York as part of a restitution distribution of monetary gold. And there are rumors that have not been verified that the Inter-Governmental Committee on Refugees (IGCR) asked the US military authorities in Germany to transfer this gold to them for relief and rehabilitation purposes.

#### 4/ The Ustasha gold

Slany II gave a general appraisal of the circumstances under which senior Ustashi officials of the former puppet government of Croatia spirited away gold stored in the State Bank of Zagreb. It also hints at the possible commingling of victim gold taken from Ustashi victims in the outbound removal of part of the Croatian state treasury.<sup>11</sup> With the assistance of officers of the US Counter-Intelligence Corps (CIC), the fugitive Ustashis escaped from their refuges in Austria to Italy. From there, Vatican officials aided the Ustashis in resettling in Argentina, supposedly with a portion of the Croatian treasure.

What was the exact nature of relations between the Croatian Ustashis and United States intelligence and how did that relationship determine the fate of the gold that they stole from the Croatian Treasury?

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NACP, RG 59, Lot 62D115, Box 9 [211611]. Telegram, Bonn to Secretary of State, February 14, 1952, NACP, RG 56, Entry 69A7584, Box 4 [202254]. Telegram US High Comm. For Germany, February 16, 1952, NACP, RG 84, Entry 2113N, Box 3 [206636]. Telegram Bonn to Secretary of State, February 25, 1952, NACP, RG 56, Entry 69A7584, Box 4 [202253]. Telegram Department of State to HICOG, February 27, 1952, NACP, RG 56, Entry 69A7584, Box 4 [202252]. Letter FRBNY to TGC, March 12, 1952, NACP, RG 84, Entry 2113M, Box 5 [211670-673]. Letter Norman P. Davis to TGC, March 13, 1952, NACP, RG 59, Entry 5382, Box 4 [201585-586]. Memorandum of conversation, Otto F. Fletcher with Mr. Bedford, April 18, 1952, NACP, RG 59, Lot 62D115, Box 1 [211799-801]. The Gold Book of the TGC, pp. 38 & 40, NACP, RG 59, Entry 5382 [211506 & 211508]. Report to the Governments of the United States of America, the United Kingdom of Great Britain and Northern Ireland and France, Annex 22, pp. 15-16, NACP, RG 59, Entry 5382, Box 3 [206856-857].

<sup>11</sup> Slany II, xvii. A total of \$80 million of gold was presumably removed from the victims of the collaborationist regime of Ante Pavelic.

A working partnership existed between elements of the United States intelligence community in Germany, Austria, and Italy, on the one hand, and members of the exile Ustashi community in exile in those countries, many of whom were suspected of having committed crimes against humanity during the period of Nazi occupation. This partnership was overseen at the highest levels of the Department of State and the War Department between 1946-1948 as part of a clandestine operation to destabilize the Yugoslav government of Marshal Tito.<sup>12</sup> US intelligence officers were well aware that the Ustashis maintained a lavish lifestyle funded by the gold and jewels they seized from their victims but made no attempt to seize these items. They were also aware of the gold that the Ustashis brought with them into Austria and Italy, but, here again, made no attempt to seize it and transfer it to the FED in Frankfurt, Germany.

Did this monetary gold include victim gold?

The Office of the Historian at the Department of State received new information from the Belgrade government after completion of Slany II which qualifies the answer to this question.<sup>13</sup> There was an undetermined amount of victim gold in the hoard removed by the Ustashis in mid-1944. These funds were recycled to finance anti-Tito activities in Italy and Austria and to support the exile of senior Ustashi officials. But there is no way of providing an accurate amount of victim gold that was incorporated into bars and coins.

**5/ Tripartite Commission for the Restitution of Monetary Gold (TGC)**

Slany I and II provide a well-rounded analysis of the TGC's activities but fail to address the ways in which the United States stymied the adjudication of specific claims.

How did the United States government influence the adjudication of monetary gold claims at the TGC?

The US government was responsible for the gold pot principle and for the formation of the TGC to administer the pool. The gold pool was, like the settlements with the neutral, a means to make "tainted" gold acceptable on

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<sup>12</sup> US intelligence officers helped in the resettlement of at least two high-level Ustashi officials—Mikola Rusinovic and Oskar Turina—to the United States and to Argentina. In the Turina case, this former Croatian consul in Vienna who had aided in the forcible removal of Serbian and Jewish communities during the war, was allowed to walk out of his internment camp—Camp Marcus Orr, south of Salzburg, Austria—under orders from Captain Eric Waldman of the Munich-based 7821<sup>st</sup> Composite Group, which had ties to the headquarters of the European Command (EUCOM) in Germany, and assigned to "positive intelligence" missions against the Soviet Union and its new-found allies in Eastern and southeastern Europe. Turina subsequently fled to Argentina.

<sup>13</sup> From Ron Neitzke to Dr. Slany, unclassified memorandum, The Ustasha Gold: Its fate and the allegation of a link to the Vatican—Dr. Jere Jareb's evidence and findings, January 7, 1999. Papers of the Office of the Historian, US Department of State.

the world market.<sup>14</sup> In addition, the US delegate to the TGC, in service to US economic interests, obstructed the claim for monetary gold submitted by Czechoslovakia, delaying restitution for several decades.

**6/ Gold deposits at the Federal Reserve Bank of New York (FRBNY)**

Slany I and II do not address the role of the FRBNY in the execution of the gold policy of the United States as it relates to the restitution of gold in the postwar era. Our research shows that the FRBNY applied the non-discriminatory nature of US gold policy to the letter and accepted all forms of deposits of gold from any foreign central bank, pursuant to Federal law. Some of these deposits included sub-standard bars that did not meet "good delivery" criteria for monetary gold or bars the origins of which raised concerns among some US officials who were powerless to do anything except to document the presence of those bars in the deposit accounts at the FRBNY.

Did the FRBNY accept gold bars that contained victim gold?

The answer to this question depends largely on how victim gold is defined in its form. Prussian Mint bars are the most likely type of gold bar which would have contained refined, "monetized," victim gold leaving a chemical signature in the assay. Since the FRBNY accepted Prussian Mint bars and the US Treasury acquired the refined versions of Prussian Mint bars, The FRBNY allowed bars containing victim gold to be deposited in its vaults either on earmark or as remelted US Assay bars containing victim gold, now twice recast, once by the Prussian Mint and once by the US Assay Office in New York.<sup>15</sup>

If so, when was that gold deposited at the FRBNY?

The earliest recorded instance of a Prussian Mint bar entering the FRBNY is in 1949. Moreover, 10 Czech bars containing victim gold went to the FRBNY in 1952. The earliest recorded instance of victim gold entering the FRBNY in another form—such as coins or refined bars from Switzerland—cannot be

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<sup>14</sup> US Ambassador to Portugal, Bernard Baruch, used the word "tainted" to describe looted gold suspected of being in the possession of the Portuguese government. Baruch to Secretary of State, February 5, 1947, Confidential, RG 59, Confidential Files, 1945-1949, 800.515/2-547, Box 4223, NACP.

<sup>15</sup> The Federal Reserve Bank of New York and the Treasury Department affirmed that to melt and treat gold did not imply a transfer of title to the United States government as long as the caption "the receipt and earmark of gold by the Federal Reserve Bank" appeared on a receipt confirming the melt and treatment of the gold. Hence, the FRBNY could accept any type of gold for re-melt and treatment. From D. J. Liddy to Mr. Cameron, General license granted the Federal Reserve Bank of New York relative to gold transactions for account of governments of central banks of Norway, Denmark, The Netherlands or Belgium, May 29, 1940, RG non-record reference materials, Box 2, Binder 6, File: Federal Reserve Bank of New York, Nazi Assets, NACP, [ ].

ascertained. But new evidence suggests that gold bars containing victim gold might have been deposited at the FRBNY as early as 1939 and 1940.<sup>16</sup>

For whose account if it was for the account of a foreign central bank?

The Bank of Portugal was the first documented case whereby it shipped "Gold Declaration" bars to its account at the FRBNY, which were then transferred to the account of the Bank for International Settlements. The Spanish government opened an account at the FRBNY in 1950 in which it deposited Prussian mint bars. The accounts of the Swiss National Bank and the Sveriges Riksbank also contained Prussian Mint bars as well as that of Argentina.

**7/ US purchase of victim gold**

Did the United States government acquire victim gold and incorporate it into its monetary reserves?

The gold policy of the United States did not differentiate between looted, victim, and good delivery gold. The Gold Team did not find any evidence to support the contention that United States officials responsible for coordinating and enforcing the gold policy of the United States were aware of or concerned about the possibility that gold bars and coins being offered for sale to the Secretary of the Treasury, through the Federal

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<sup>16</sup> See page 1, footnote 1, supra. The Germans began melting down confiscated gold jewelry as of the first quarter of 1939. Swiss banks were avid purchasers of gold from Germany even at that early stage. There was an active trade of gold between Switzerland and the United States up to the months preceding the German invasion of Western Europe. Moreover, the Italians speculated on transshipments of gold by purchasing gold from the Swiss and transshipping it to other points, including the United States. The Italian central bank shipped more than 25 million dollars of gold in 1939 and 1940 to the FRBNY. W. H. Rozell to Knoke, June 3, 1940, RG 82, Non-record reference materials, Federal Reserve Bank of New York, Box 1, Binder 3, NACP, 205378-380.

The Office of Special Investigations (OSI) of the US Department of Justice (DOJ), in its critical contribution to Slany II—Annex I: New information about victim-origin gold at the Reichsbank—pointed out that, in documents originating from the Deutsche Gold- und Silber-Scheideanstalt—Degussa—were notations "Jd", "Jdgold", "Judengold" between 1939-1941. These notations inferred the Jewish origin of gold items being sent to Degussa for smelting and refining into gold bars incorporated into the reserves of the Reichsbank and slated for export, most likely to Switzerland, to obtain foreign exchange. Slany II, 182.

The possibility that gold belonging to individuals was shipped to the FRBNY by Swiss banks rests largely on how to interpret the size of the amounts given by the FRBNY for these transactions. There were eleven small shipments of gold from five Swiss banks and the Bank for International Settlements between January 24, 1940, and June 24, 1940, for sale to the Assay Office. These shipments totaled \$42,609, or an estimated 1,217.40 troy ounces of gold at \$35 per troy ounce. Further research can verify the amounts and the actual content of the shipments to determine whether these items belonged to individuals. "Gold sold to Assay Office taken from F.R.B. reports and tentatively identified," n. d., RG 56, Entry 75101, Box 39, File: Gold tables and capital movements, 1940-1941, NACP. [ ]



Reserve Bank of New York, contained trace amounts of recast gold items despoiled from Nazi victims.<sup>17</sup>

**8/ US military treatment of captured gold in Europe, 1944-1955**

Slany I touched on the question in a way that left many readers wondering the true extent of the US military's involvement in possible misappropriations of gold in Germany and Austria after the war. The Gold Team has provided information about both the caches and the Gold Bar and Coin inventories of the Foreign Exchange Depository (FED) in a more simplified format so readers can easily access information about cache locations and content, as well as the TGC gold pool shipments and distributions with a percentage for probable victim gold in the gold pool (See Appendix A).

**Did elements of the United States military misappropriate gold that fell into the control of the United States government during the period of military occupation of Germany and Austria?**

Our answer is inconclusive because it is incomplete. The Gold Team developed many leads regarding small and large misappropriations of gold bullion by elements of the US Third Army in Germany and by US intelligence agents in Austria and Germany, mostly belonging to the Counter-Intelligence Corps (CIC) and the Office of Strategic Services (OSS). But additional research needs to be conducted and greater access given to still-classified documents in order to bring full closure to this politically sensitive issue.

**9/ Gold Declaration of February 1944**

Slany I and II mention the Gold Declaration without placing that declaration in the context of US gold policy.

**How did the United States government enforce the Gold Declaration of February 1944?**

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<sup>17</sup> The FRBNY summed up the gold policy in these terms: "...there has not been a single case in which the United States has refused to buy gold on the grounds that it represented looted gold. In fact, the US Treasury knowingly melted down and reissued as Assay Office bars a large amount of gold owned by the Spanish government which contained gold bars which the Treasury knew to have been looted by the Nazis." Norman P. Davis to Exter, April 30, 1958, RG 82 Non-record reference materials, Federal Reserve Bank of New York, Box 2, Binder 4, NACP, 204989.

Our research shows that the FRBNY conducted two inspections of bars deposited into earmark accounts in the late 1940s and in 1955 to look for Prussian Mint bars in earmark accounts.<sup>18</sup>

If not, why?

The pressure to maintain the unfettered flow of gold in the postwar world undermined the enforcement of the Gold Declaration almost as soon as the Treasury Department released it in February 1944. The Bretton Woods Agreement of July 1944 reaffirmed the primacy of gold as an instrument of international debt payments between nations. The United States settlements over looted gold with Switzerland and Sweden overturned the key component of the Gold Declaration—declaring invalid all direct and indirect transactions in gold with the Axis.

**10/ US negotiations on looted gold with the neutral countries, 1945-1958**

Slany I and II focus on the history of these laborious negotiations over the restitution of looted gold that the neutral countries acquired from the Axis. The two studies contribute to our overall understanding of the gradual erosion of the negotiating stance of the United States government and its final acceptance of less than desirable settlements. However, these two studies do not go far enough in placing the settlements within the larger framework of the United States gold policy as a determining factor in the outcome of these talks.

Did the United States government consider the fate of victim gold during its negotiations to recover looted gold from Switzerland, Sweden, Spain, Portugal, and Turkey?

The answer is an unqualified no.

If not, why?

The gold policy of the United States did not differentiate between bars and did not base the acquisition or sale of gold on the basis of its origin. Moreover, the restitution politics of the postwar era reduced to nil the concept of restitution to individuals. The United States government affirmed the rights of nations over the rights of individuals. Although US officials were aware of the fact that the gold

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<sup>18</sup> For reasons that are still not clear, George Eddy of the Treasury Department asked the Federal Reserve Bank of New York to discontinue its program of "ascertaining the origin of gold sold to the United States" for all countries except Turkey, Argentina, Portugal, Spain, and Switzerland. As concerns the neutrals themselves, Eddy ordered the FRBNY to "approximate" the origin of the bars under earmark in their accounts as a time-saving device. G. A. Eddy to the files, Subject: Investigation of source of gold bars purchased. July 18, 1947, RG 82 Non-records reference materials, Federal Reserve Bank of New York, Box 2, Binder 5, File: Nazi assets, NACP, [ ].

pool included unknown amounts of recombined victim gold, they were adamant in their belief that monetary gold even if it included traces of victim gold could only be restituted to the central banks of despoiled nations.

### **Research methodology**

Recent historical research conducted in part by the Office of Special Investigations of the Department of Justice and included in Slany I and II has revealed that part of this privately-owned gold had been incorporated into the monetary reserves of the Reichsbank between 1939-1945 in the form of gold bars and coins. The Nazis used this gold to acquire foreign exchange which enabled them to purchase strategic materials and commodities in neutral countries vital to their war effort and continued survival. After the war, some of this gold made its way into foreign central banks, and, perhaps, even in the Federal Reserve Bank of New York. The only way to ascertain the presence of this "monetized" victim gold was through a comparison of lists of gold bars produced by the Nazis which incorporated victim gold and lists of bars that were deposited on earmark at the Federal Reserve Bank of New York. Short of this information, The Gold Team could not conclusively state that x number of bars containing "monetized" victim gold entered the Federal Reserve Bank of New York. This information may also be contained in the records of the US Assay Office. Recent efforts to locate them have led us to the US Mint facility at West Point, NY. So far, The Gold Team is still waiting for a response from the US Mint whether or not these records are extant.

It was not within the mandate of the Gold Team either to calculate the total amount of victim gold seized by the Nazis from their victims. For that reason, the Gold Team was not given a mandate to conduct research in the so-called Captured German Records (Record Group 242) at the National Archives in College Park, MD. That

research would have allowed us to provide a reasonable set of estimates of thefts of victim gold by the Nazis. However, the Gold Team produced an estimate in dollars and troy ounces of fine gold of victim gold that went from the Foreign Exchange Depository (FED) in Frankfurt, Germany, to the gold pool which the TGC ran from 1946 to 1998.<sup>19</sup> That institution was established for the specific purpose of restituting on a pro-rated basis monetary gold to countries seeking compensation for the wartime loss of part of their monetary gold reserves.

The Gold Team relied on documents in American archives to document the flow of looted monetary gold from Europe to the Federal Reserve Bank of New York. Thus, The Gold Team depended largely on the ability and willingness of Federal agencies of the United States government to retain pertinent records which would allow us to undertake this task and on their ability to monitor these gold flows during the period under consideration.

The Gold Team reviewed tens of thousands of documents spanning dozens of record groups in several archives in the United States, including one foreign archive. The Gold Team also relied on an array of secondary sources to provide us with leads into the primary records and interpretations of the historical evidence.

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<sup>19</sup> The argument put forth is that victim gold was incorporated into Prussian Mint bars, Degussa bars, unmarked bars, and coins. The United States government referred to "looted gold" as a generic expression to mean any gold removed under duress by the Germans. However, it is more than likely that "looted gold" referred mostly to central bank gold, and not to victim gold. Due to time pressures, the Gold Team's assessment of the percentage of victim gold incorporated into the gold pool did not include gold coins amassed at the FED for restitution to claimant countries. However, it must be remembered that one of the main methods of recycling victim gold was through the production of monetary coins. Interestingly, the US government, when it put its mind to it, was able to confirm the exact percentage of looted gold in a resmelted gold bar. See in particular Nuccio, Berlin, to Secretary of State, Secret, February 26, 1947, RG 131, Foreign Funds Control General Files, Box 335, Pehle, John, NACP, 207916-917. "Our report shows that of 19,976,294.5 rough grams from Netherlands and 3,085,299 grams were looted from Belgium. Therefore the resulting bars (series 881/939) contained minimum of 90.6 percent looted gold and even higher percentage if looted included in added fine gold is taken into account."

The research followed two avenues: looted monetary gold possibly containing victim gold, subject to seizure and restitution in the European Theater of Operations, that US troops captured in Europe, and looted monetary gold including gold that might contain victim gold which fell under the control and/or possession of the United States government at the Federal Reserve Bank of New York and the US Assay Office.<sup>20</sup> Most

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<sup>20</sup> Each country mints its own type of gold bars and coins to meet specific standards which allow these bars and coins to be integrated into monetary gold reserves. The United States accepts bars for purchase which are US Assay Office bars. These gold bars, which if sold to the US Treasury, would be accepted at the US Assay Office (New York) as a redeposit and command full and immediate payment. US Assay Office bars are gold bars that are originally issued by the US Assay Office and that have not been mutilated and which, if originally issued in the form of a melt, are re-deposited as a complete melt. These bars are not melted and assayed. They weigh approximately 400 troy ounces, the fineness of their gold content is .995 (99.5% purity or better), and they come in complete melts.

US Assay Office bars, like bars in other countries, are produced in melts or a series of bars, numbered in succession. For instance, melt No. 1 contains 20 bars. Hence, the bars are stamped 1-1, 1-2, etc., 1-20. When an US Assay Office bar is removed from a melt, it is referred to as a mutilated US Assay Office bar. Bars produced in the United States which bear markings or numbers other than those of the US Assay Office, or that have been altered in any way, or which, when originally issued as a complete melt, are not returned as a complete melt are considered to be mutilated. The US Treasury reserves the right to consider as mutilated US Assay office bars which were exported from the United States at any given time. If these bars bear only the markings of the US Assay Office, and are otherwise in order, they usually can be re-deposited in a Federal Reserve bank but as "bars of various refiners" because their status remains uncertain until the US Assay Office has had a chance to inspect them and declare them acceptable for re-deposit. Bars of various refiners include all non-US Assay office bars as well as mutilated US Assay Office bars (see supra). If these bars are offered for sale to the US Treasury, they are subject to charges as set forth in the Table of Charges at the Mints and Assay Offices of the United States.

When gold is deposited at the Federal Reserve Bank for the account of a foreign central bank, it is considered to be a deposit on earmark. The Federal Reserve Bank is the custodian of earmarked gold, which remains the property of the foreign depositor or the property of the foreign government or its exchange stabilization or equalization fund. If it is the property of the government or its exchange stabilization or equalization fund, the earmarked gold needs to be placed in a special gold account with a distinguishing symbol (e.g., Special Account T).

The Federal Reserve Bank of New York converts gold into US Assay Office bars, usually when it is subject to purchase by the Secretary of the Treasury's Special Account, also known as the Exchange Stabilization Fund. Foreign central banks may prefer to own US Assay Office bars and, to that end, will ask the US Assay Office to convert their non-US Assay bars. The US Assay Office then returns the gold to the earmark account with, to the extent possible, the same fine content of gold which was present in the original bars.

The US Assay Office purchases gold with a fineness of .200 or more (twenty per cent pure), while the Federal Reserve Bank of New York buys gold that is at least ninety per cent pure or .900 fineness. The US Assay Office does not restrict or qualify its purchases of gold except that the minimum amount must be equal to or greater than \$100 (1932 dollars). With regard to non-US Assay Office bars, they are first melted and assayed before being purchased by the Treasury or the ESF. Assays are performed only on request. Generally, the US Assay Office relies on assay information supplied by the person making the deposit of gold at the US Assay Office. Practice followed in New York in the purchase and sale of gold, April 1932, p. 3; Banque Nationale de Belgique to Federal Reserve Bank of New York, May 23, 1958,

of the information was uncovered at the National Archives in College Park, MD. The first three months were spent pouring over the records of the Foreign Exchange Depository Group (FED) in Record Group 260 of the Occupation Military Government United States (OMGUS).<sup>21</sup>

The records compiled at the FED provided insights into the administration of the FED, the treatment given to the assets in its custody, as well as the policy discussions at the War and State Departments regarding the fate of these assets, especially as regards to gold. Moreover, in order to answer the questions pertaining to gold which fell into the control of US forces, the records of the FED also gave us crucial leads pertaining to American units which uncovered caches of gold and other valuables. However, the Gold Team did not have sufficient time to pursue these leads in order to gain a clearer picture of the treatment given to these assets after their seizure.

The FED research led to broader considerations of postwar American policy with regard to the fate of the gold that was amassed at the FED. The evolution of the American policy of restitution of monetary gold, the outlines of which were presented in Slany I and II, relying mostly on the records of the Department of State (RG 59 and RG 84) lay in Record Group 260 and the records of the Finance Division as well as in the records of the War Department and General Staff (Record Group 165) which gave us information on how senior War Department officials treated the restitution of monetary gold.

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[223732]; Norman P. Davis, Assistant Vice President, FRBNY, to Banque Nationale de Belgique, June 3, 1958, p. 2, [223735-737] Records of the Federal Reserve Bank of New York, 95 Maiden Lane, New York.

<sup>21</sup> The FED was the main repository for all assets captured by the US troops during their sweep to victory against the Nazis in Germany, Austria, and northern Italy.

The Gold Team investigated possible misappropriations of gold by the US military in the European Theater of Operations (ETO) from 1944-1946. In particular, since US troops captured gold that the Nazis looted from their victims, be they individuals or institutions, it fell within the mandate of the Commission for our team to examine the ways in which the US military took control of this gold and handled its ultimate disposition. In order to ferret out this sensitive information, The Gold Team looked at intelligence reports compiled both by the Office of Strategic Services (OSS) and its successor agency the Strategic Services Unit (SSU) in Record Group 226, as well as the records of the Army Staff (Record Group 319) which are for the most part still classified.

US National Archives officials at College Park, MD, determined that there were at least several million pages of classified pages to peruse within which there may be some indications of the behavior of the US military in the treatment and disposition of captured gold. However, due to lack of time and resources, the Gold Team could not complete its examination of those records. It identified, however, a small number of documents which were still classified and considered to be the equities of non-military law enforcement and intelligence agencies. The slowness in getting these documents declassified mitigated against their incorporation into our final report.

The files in Record Group 319 consisted chiefly of dossiers compiled on individuals who came to the attention of American military security agencies, including the Counter-Intelligence Corps (CIC), the Military Intelligence Service (MIS), and civilian law enforcement agencies like the Federal Bureau of Investigation (FBI).

The records of the OSS provided a wealth of information on the smuggling of gold from occupied territories to the neutral countries and on the individuals involved in these illicit activities. However, they failed to shed light on misappropriations by members of the US forces. Instead, these records detailed the sub-rosa relations between citizens of the Allied nations and Axis collaborators, black marketers, and opportunistic businessmen in the neutral countries placing profit over principles. In some instances, the OSS recruited these individuals suspected of aiding in the transfer of looted assets into the neutral countries in order to penetrate these smuggling operations, or better still, to assist US intelligence agencies in finding Nazi agents and in deterring clandestine activities of the Soviet Union in the neutral countries. The Gold Team could not ascertain whether OSS operatives uncovered secret caches of looted gold in the neutral countries, but did uncover sufficient evidence that these activities did occur to warrant further investigation. Of great concern to us were bodies of evidence pointing to OSS knowledge that these assets were being used by Nazi fugitives. But, because of their utility as intelligence assets against the Soviet Union, the OSS took no apparent action to seize these assets as restitutable items. In some cases, these captured assets were recycled in the fall of 1945 to finance clandestine operations against Nazi fugitives hiding out in Austria.

The successor agency to the OSS, the Strategic Services Unit (SSU), housed in the War Department, took a more aggressive stance in promoting clandestine relations between SSU operatives and fleeing Nazi fugitives who held important security and police positions in the former Reich. In the case of the Ustashis who supported the Croatian puppet government of Ante Pavelic from 1941-1944, the United States, fearing



a "hot" war with Yugoslavia in the immediate postwar years over the fate of Trieste and the province of Venezia, opted to recruit hundreds of Ustashis, many of whom had committed war crimes against Serbs, Jews, and other designated enemies of the Reich. These Ustashis were housed in refugee camps in Austria, Germany, and Italy.

Specialized US intelligence units established working partnerships with these individuals in return for cooperation in anti-Yugoslav operations. These units were aware of gold removed by the Ustashis and secreted in Austria and Italy, but they made no attempts to recover it as constituting loot subject to restitution either to central banks or to refugees.<sup>22</sup>

When the United States government no longer needed the services of the exiled Croatian Fascists, American agents in Austria and Italy helped these individuals escape to the Western Hemisphere through so-called rat lines and other clandestine networks, the purpose of which was to "exfiltrate" out of Europe individuals subject to arrest as war criminals. The decision to protect these individuals was made at the highest levels of the US government and involved regular interventions by the Secretary of State, George Marshall, or his designated representative on these questions, Robert Lovett. The Gold Team documented a number of these instances in 1947 and 1948.

These decisions were part of a broader campaign to "deny" the Soviets access to these war criminals who were viewed as intelligence assets in the incipient Cold War. So-called denial programs permeated US intelligence operations in Germany and Austria, mostly involving technicians, researchers, scientists, and specialists of use to the West. There were indications in the records of the FED that captured assets (not gold) were

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<sup>22</sup> After the completion of Slany II in the spring of 1998, the Office of the Historian at the State Department received new information from the Yugoslav authorities which confirm these facts.

used to underwrite the housing and feeding of these individuals by US occupation authorities until their ultimate fate could be decided.

The dossiers compiled in Record Group 319 as part of the Intelligence Records Repository collection (IRR), provided anecdotal information about the intricate ties that bound suspected Axis collaborators and United States intelligence agents after the end of the war. More elusive, however, was evidence that these relationships helped these collaborators keep their loot. The Gold Team found instances where CIC, FBI, and SSU investigations had been launched against individuals suspected of harboring victim assets (including gold). The Gold Team could not determine whether these assets had been transferred to the US government for transfer to Jewish successor organizations.

Concurrently with our examination of the records of the Foreign Exchange Depository (FED), the Gold Team studied the records of the Tripartite Commission for the Restitution of Monetary Gold (TGC). Slany I and II did an excellent job of laying out the important issues related to the Tripartite Gold Commission, issues ranging from the background and principles that led to the creation of the TGC to the U.S. led effort to establish a fund for victims of Nazi persecution.<sup>23</sup> The two studies detailed the negotiations and agreements with neutral countries such as Switzerland, Sweden, Portugal, Spain, Turkey, and Argentina. They showed that the Netherlands' efforts to recover looted gold were hamstrung by these agreements. They also demonstrate that victim gold went into the pool of monetary gold. In this context, Albert Thoms, former head of the Precious Metals Department at the main office of the Reichsbank in Berlin,

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<sup>23</sup> Slany, William Z., U.S. and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II, Department of State Publications, 1997. Slany, William Z., U.S. and Allied Wartime and Postwar Relations with Argentina, Portugal, and Spain,

described the Melmer account, a key element in the Germans' systematic transformation of victim gold collected by the SS into monetary gold. Though captured German records could be used to track specific bars held at the Foreign Exchange Depository (FED) in Frankfurt, Germany, there was no effort to do this.<sup>24</sup> In Slany II, the U.S. Department of Justice's Office of Special Investigations (OSI) conservatively estimated SS gold loot sent to the Reichsbank at over \$4.6 million.<sup>25</sup> Slany I also noted a conflict between the definition of monetary gold drawn up by the TGC and the definition stated by James Angell, the U.S. delegate to the Paris Conference on Reparations, of which the Final Act established the pool of monetary gold. The U.S. used form, not source, to determine the inclusion of gold into the gold pool. Hence, Slany I concluded that the U.S. government knowingly designated victim gold for the pool.

U.S. officials knew that victim gold was incorporated into the pool. The Gold Team reviewed the treatment given to a number of claims submitted to the TGC, which reflected flaws in U.S. policy regarding the restitution of monetary gold. Slany I and II revealed that victim gold was placed in the pool of monetary gold.<sup>26</sup> The gold pool

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Sweden, and Turkey on Looted Gold and German External Assets and U.S. Concerns About the Fate of the Wartime Ustasha Treasury, 1998.

<sup>24</sup> Slany, William Z., U.S. and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II, Department of State Publications, 1997, p. 181.

<sup>25</sup> Slany, William Z., U.S. and Allied Wartime and Postwar Relations and Negotiations with Argentina, Portugal, and Spain, Sweden, and Turkey on Looted Gold and German External Assets and U.S. Concerns About the Fate of the Wartime Ustasha Treasury, 1998, Annex I, New Information About Victim-Origin Gold at the Reichsbank, pp. 157-163.

<sup>26</sup> The Preliminary Report states: "the research carried out for this report also leaves no doubt, however, that the U.S. Government knowingly contributed gold looted by Nazi Germany from individual persecutes to the gold Pool that was subsequently distributed by the TGC." Slany, William Z., U.S. and Allied Efforts to Recover and Restore Gold and Other Assets Stolen or Hidden by Germany During World War II, Department of State Publications, 1997, pp. 161-182. See also: Slany, William Z., U.S. and Allied Wartime and Postwar Relations and Negotiations with Argentina, Portugal, and Spain, Sweden, and Turkey on Looted Gold and German External Assets and U.S. Concerns About the Fate of the Wartime Ustasha Treasury, 1998, Annex I, New Information About Victim-Origin Gold at the Reichsbank, pp. 157-163.

principle legitimized the process by which the Germans stripped gold from individuals, many on the way to their deaths, and transformed it into monetary gold.

The Gold Team focused on monetary gold inflows into the Federal Reserve System. That information was found in the records of the Federal Reserve system (Record Group 82), in the records of the Department of the Treasury (Record Group 56); at the Archives of the Federal Reserve Bank of New York at 95 Maiden Lane, New York; and in the records of the US Assay Office, a very small portion of which were located at the National Archives Northeast Region in New York City.

The purpose of the research at the Federal Reserve Bank of New York was to examine gold inflows and outflows recorded in the gold ledgers of the Foreign Department of the FRBNY. No ledgers survived for the years prior to 1942, neither were there ledgers for part of the 1960s and 1970s. Even more frustrating was the paucity of documentary evidence to explain the gold activity in the earmark accounts of foreign central banks at the FRBNY. Aside from the records that the FRBNY released to the National Archives in 1997, few other records were uncovered with the exception of the Papers of Allan Sproul, the Federal Reserve Bank chairman during and after the war. His papers contained very useful documents in the form of monographs written by economists of the Federal Reserve on the gold market and the US gold policy at different stages from 1933 to the early 1950s.

As indicated earlier, no conclusive evidence of US acquisition of looted bars containing victim gold could be ascertained without access to lists recording each individual bar entering the Federal Reserve, with information on its origin, its degree of fineness and a description of its markings. A senior official of the Federal Reserve Bank

of New York told the Gold Team that this proof, if it exists, is contained in the records of the US Assay Office which may have been placed in the custody of the US Mint at West Point, New York, after the US Assay Office in New York closed its doors in the mid-1980s.

### **US Gold Policy from Franklin D. Roosevelt to Dwight D. Eisenhower**

The Administration of President Franklin D. Roosevelt (1933-1945) viewed gold as the key to reduced unemployment, renewed manufacturing and commercial activity. In 1929, the United States held \$3.9 billion in its gold reserves, or 38% of the world's gold stocks.<sup>27</sup> On January 31, 1934—date of enactment of the Gold Reserve Act—the gold reserves of the United States stood at \$4,033,000,000.<sup>28</sup> On that date, President Roosevelt devalued the gold dollar to “59 per cent of its former weight” and raised the fixed value of gold from \$20.67 to \$35 per troy ounce.<sup>29</sup> In one bold stroke, he increased the value of America's gold reserves. This revaluation produced \$2.808 billion of which \$2 billion was set aside as the initial capitalization for the Exchange Stabilization Fund

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<sup>27</sup> See Harry Dexter White, *The Future of Gold* (preliminary draft), not dated, pp. 10-11, Harry Dexter White Collection, Box 4, File, *Future of Gold* (Part II), Seely Mudd Manuscript Library, Princeton University. White extolled gold's value primarily as “a medium of international exchange”, *supra*, p. 23.

<sup>28</sup> These figures were drawn from the August 1939 edition of the Federal Reserve Bulletin. That figure quadrupled within five years: in August 1939, the United States held \$16,227,000,000 of monetary gold, or 59% of the world's gold reserves.

<sup>29</sup> See Brian Kettle, *Gold*, London, UK: Graham & Trotman Limited, 1982, 50. Kettle also argues that “the USA achieved economic dominance over the Western world” during the inter-war years. Kettle, 50-51. With regard to the gold dollar, see Report to the Congress of the Commission on the Role of Gold in the Domestic and International Monetary Systems, Volume 1, March 1982, 74.

“Pursuant to the Gold Reserve Act of 1934... the price of gold was set at \$35 per ounce, giving the dollar a gold value equivalent to 59.06 per cent of its former level. The President was given the power ... to raise the price of gold to \$41.34 per ounce...” Trueblood, 145. “To protect the currency system of the United States, to provide for the better use of the monetary gold stock of the United States, and for other purposes,” Preamble. Sec. 2(a) any and all gold coin and gold bullion shall pass to and vested in the United States; Sec. 20(c) equivalent one dollar or one dollar gold to 25 and 8/10 grains of gold of 9/10 fineness. The Gold Reserve Act of 1934, January 30, 1934. Federal Reserve Act, Section 16, amended, U.S. Code,

(ESF).<sup>30</sup> One main objective of the gold policy was to restore the convertibility of dollars into gold and of gold into dollars, maintain the free flow of gold into the United States as well as in the international gold markets without jeopardizing the fixed price of gold at \$35 per troy ounce and the status of gold as the preferred medium of international exchanges. To protect the value and importance of gold as a premium commodity of international exchanges between nations also meant to safeguard the value of the American dollar as a preferred currency with which to conduct international trade.<sup>31</sup>

The ESF was established to stabilize exchange rates as well as the international monetary system.<sup>32</sup> It relied on gold as the medium of exchange between the Federal Reserve System and foreign central banks. On September 26, 1936, the United States government concluded a Tripartite Agreement with France and Great Britain to make sure that the international monetary system rested on stable exchanges between

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Title 12, Sec. 467. The Statutes at Large of the United State of America from March 1933 to June 1934, V. XLVIII, Part 1, US Government Printing Office; Washington, 1934, pp. 337-344. [ ]

<sup>30</sup> Trueblood, 145-6.

<sup>31</sup> Harry Dexter White, *The Future of Gold* (Preliminary Draft), n.d., 30, Harry Dexter White Collection, Box 4, File: Future of gold (Part II), Seely Mudd Manuscript Library, Princeton University; Staff Group on Foreign Interests to Policy Group on Foreign Interests, February 7, 1947, Subject: Loans on gold, RG 82, Federal Reserve System—International subject and files, Box 237, File: Gold loans, NACP, [227456-466, in particular 227458.]

<sup>32</sup> The irony underlying the establishment and operation of the Exchange Stabilization Fund is acutely felt at Bretton Woods and in the immediate postwar years. One of the main proponents of a gold standard and stability in international exchanges was the Bank for International Settlements (BIS) which also became the nemesis of the Treasury Department during the wartime years. Its belief in its role as a facilitator of free commerce between nations and a broker of international monetary stability was consistent with the assistance that it provided to the Axis powers. Is it also a coincidence that three private banks constitute the American shareholding presence at the BIS? These same banks also held seats on the board of directors of the Federal Reserve Bank of New York, as principal private financial institutions in the New York money market. See "General Problems of a return to a common international standard," October 19, 1932, Papers of Allan Sproul, Records of the Federal Reserve Bank of New York, 95 Maiden Lane, New York. In part to stanch the inflow of gold into the country, the Board of Governors of the Federal Reserve System raised the reserve requirement to fifty percent for member banks, thus lowering the level of excess reserves brought about by massive purchases and inflows of gold in 1935 and 1936. See III. Summary of Gold Sterilization Operation by the United States, not dated (most probably second half of 1937), Papers of Allan Sproul, Records of the Federal Reserve Bank of New York, 224049.

industrialized nations.<sup>33</sup> This agreement made it possible for the exchange stabilization or equalization funds of the signatory nations to cooperatively hedge off currency fluctuations likely to destabilize the international monetary system through daily consultations. On March 24, 1937, the United States Treasury licensed the Federal Reserve Bank of New York (FRBNY) to transport, import, melt and treat, export, earmark and hold in custody gold for foreign or domestic account.<sup>34</sup> The license was issued to give the FRBNY a structured, well-defined framework within which to transact and handle gold that was in accord with the Gold Reserve Act of 1934 and the gold policy of the United States.

Treasury officials believed that if the United States government refused to purchase or import gold, such a move would dissolve the Tripartite Agreement, raise the value of the dollar, force gold holders to dis-hoard and dump their gold on the London market, or trade their gold for American silver. The very fact that the US might consider such a move would instill in Americans and Europeans the conviction that war was inevitable, especially at a time when the “international balance” tipped in uncertain ways.<sup>35</sup>

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<sup>33</sup> , The Tripartite Agreement was quickly extended to Belgium, the Netherlands and Switzerland.

<sup>34</sup> License No. NY-18-1 from Treasury Secretary to FRBNY, 3/24/37, License to transport, import, melt and treat, export, earmark and hold in custody for foreign or domestic account (Granted under authority of Section 34 of the Provisional Regulations issued under the Gold Reserve Act of 1934), 223773-4.

<sup>35</sup> Any dumping of gold would bring down the value of American gold stocks, thereby threatening an already frail economy in the throes of a recession, from sinking deeper into economic chaos, with the resulting unemployment, social discontent and fodder for the Government's opponents. See Merits of proposal to place an embargo on gold imports, 3/17/38, draft, unsigned [most probably Harry Dexter White], RG 56, 67A1804, Division Memoranda #1, Box 50, NACP, 202515-520.

Earlier discussions in 1937 at the Federal Reserve Bank of New York focused on the “gold problem”—massive inflows of gold on deposit, earmark, or purchased by the Secretary of the Treasury—and how to resolve it. The FRBNY's economists talked about reducing gold output, lowering the price of gold, and preventing foreign central banks from shifting gold into foreign exchange. E. Despres to Mr. Sproul, The Gold Problem I. Immediate Remedies, June 24, 1937, Papers of Allan Sproul, Records of the Federal Reserve Bank of New York. 224031-224043. Kindleberger addressed the gold embargo question in the following year—1938—with respect to the United States' neutrality policy and concluded that any

The Treasury Department remained disinclined to prevent, limit or discriminate against *any* gold imports, regardless of origin.<sup>36</sup> Treasury officials wished to maintain gold as the superior medium of exchange and means with which to settle international balances, regardless of the future configuration of the post-war international order.<sup>37</sup> Discrimination, therefore, was counter-productive to the gold standard policy.<sup>38</sup>

Harry Dexter White, senior architect of the US gold policy under Roosevelt, anticipated the postwar conundrum of the United States government when faced with the prospect of preventing the circulation of looted gold and, at the same time, laid out the reasons why the United States would not—and could not—interfere with the free and open circulation of gold in international markets. According to White, it would be close to impossible to identify gold as coming from a particular country (in this instance,

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attempt by the United States to take sides through its gold purchase policy would have to be mitigated in such a way as not disrupt international gold flows. See C. P. Kindleberger to Sproul, August 19, 1938, American Gold Policy in the event of European war, especially page 4 et seq., Papers of Allan Sproul, Records of the Federal Reserve Bank of New York, 224019-224029 with special attention given to 224023 et seq.

<sup>36</sup> However, when the Bank for International Settlements (BIS) inquired in 1936 if it was eligible “to buy gold in its own name, stating that gold acquired by it would as a rule be resold to central banks for monetary purposes” the Treasury and the FRBNY communicated their outright opposition to such an option, which meant that US financial authorities did not view the BIS on the same basis as foreign central banks. The policy changed in October 1936, at the discretion of the Secretary of the Treasury, who, as overseer of the Exchange Stabilization Fund, decided to sell gold to the BIS that was arriving from London. This practice lasted until late 1940 and was not viewed as a general rule, but rather as instances favored on a case by case basis. See C. P. Athern to Mr. Lang, April 19, 1948, Treasury Position re Gold Transactions of Bank for International Settlements, 1935 to 1948, RG 82, Records of the FRBNY, Box 2, Binder 6, NACP, 205158-205163, especially 205159-61.

<sup>37</sup> From American Consulate General, Amsterdam, Netherlands, to the Secretary of State, Washington, Monetary Gold: an Asset or Liability?, No. 548, April 25, 1940, RG 84, Entry 3018., Box 55, File: 840-851, 1940, NACP, [223456-476]. See especially [223461-463]

<sup>38</sup> Memorandum, from Finsent, Financial Counselor, British Embassy to Cochran, Treasury, May 27, 1940. [202514]. Memorandum, from Harry Dexter White to D.W. Bell, Cochran and Foley, June 4, 1940. NACP RG 56, Accession 67A-1804, Box 49, File: Discrimination (US). [202512-202513]. On September 27, 1939, the Treasury Department issued an amendment to the Customs Regulations of 1937, or T. D. 49970, which suppressed “information concerning imports and exports” by US government agencies. The FRBNY saw in the “obscurity” afforded by this amendment an opportunity “to discriminate in its purchases of gold...” T. D. 49970, Customs Regulations—Confidential Information, taken from Federal Register dated September 27, 1939, RG 82, Non-record holdings of FRBNY, Box 2, Binder 4, 204997; R. Tirana to Dr. Williams, October 27, 1939, Suppression of up-to-date information on gold movements in the U.S., RG 82, Non-record holdings of FRBNY, Box 2, Binder 4, NACP, 204994-995.



Germany) since its identity might be “lost by operations through third countries.”<sup>39</sup> If the United States sought to prevent enemy gold from entering the monetary reserves of other countries, there would have to be “sincere cooperation of virtually all the countries in the world”—a recognized impossibility from all practical standpoints. Treasury would then contradict its own principles of non-interference in the gold market, should it decide to bar the acquisition of gold from third countries, rather than from the enemy directly—in this instance, Germany. The Germans could thus argue that the gold, which it wished to send to the United States, had been in their reserves prior to war. If the United States prevented its entry into the Federal Reserve, they could rightfully accuse the US government of political interference.<sup>40</sup>

White dismissed origin as a criterion with which to discriminate against gold inflows into the Federal Reserve system. One reason was to maintain stability in the international gold market, another was to reaffirm that the economic recovery of the United States was inextricably tied to the continued health of the dollar and its convertibility into gold.<sup>41</sup>

Faced with unchecked Nazi expansionism in Europe as of 1938 and its growing threat to economic and financial interests with close ties to the American mainland, the Roosevelt Administration took steps in 1940 to block the assets of countries that might provide direct or indirect assistance to the Axis powers. Following the issuance of Executive Order 8389, the Treasury Department could require a special license for each

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<sup>39</sup> During the Second World War, those third countries were the neutrals and non-belligerents—Sweden, Portugal, Spain, Switzerland, Turkey, and Argentina.

<sup>40</sup> White to D.W. Bell, Cochran and Foley, 6/4/40, RG 56, 67A1804, Discrimination (US), Box 49, NACP, 202512-3.

<sup>41</sup> From H. C. Wallich to Mr. Knoke, January 27, 1943, Argentina’s request for gold shipment, RG 82 Non-record reference materials, Federal Reserve System, Box 1, Binder 2, NACP, [226874-877, see especially 226875.]

transaction that a foreign central bank conducted in its account at the Federal Reserve Bank of New York. Under the Gold Reserve Act of 1934, the Treasury Department could allow gold transactions through public and private US financial institutions on a case-by-case basis, treating them the same way it treated the Bank for International Settlements (BIS) before 1941. The Treasury's willingness to stray from the intent of its own blocking decrees in order to accommodate the US' gold policy was not lost on FRBNY officials. They noted the Treasury Department's "traditional dislike of making statements or rulings in principle as contrasted with its readiness to act positively on concrete cases."<sup>42</sup>

The records consulted in the course of the gold research do not indicate that the US government discriminated against gold inflows because they might have included gold stolen from central banks or from private owners and subsequently re-melted to erase the original owner's identity. US officials at the FRBNY and the Treasury did not know before the US' entry into the war that the German Reichsbank was melting down and recasting Jewish-owned jewelry and other private gold assets into refined bars for export as of 1939. They were, however, aware in 1941 of the Nazis' thefts of Czech, Polish, and Belgian monetary gold.<sup>43</sup> [FN]

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<sup>42</sup> See C. R. Athern to Mr. Lang, April 19, 1948, Treasury position re gold transactions of the Bank for International Settlements 1935 to 1948, page 4, RG 82, Non-record holdings of the FRBNY, Box 2, Binder 6, NACP, 205162. The BIS was unable to effect a number of gold transactions as a "blocked national", a status that made it subject to Executive Order 8389. Otherwise, all other gold transactions fell under the Gold Reserve Act of 1934.

<sup>43</sup> In the case of Czechoslovakia, for instance, had the Roosevelt Administration enacted the blocking decrees in the wake of the German invasion of Czechoslovakia on March 15, 1939, New York banks would not have been placed in the position of having to comply with requests to transfer their Czech deposits to the BIS, which helped the German government take over the gold of the Czechoslovak National Bank in Great Britain. Harrison to Eccles, April 6, 1939, RG 82, Non-Record reference materials, Federal Reserve Bank of New York, Box 2, Binder 6, NACP, [ ].

**1944: Declaration on Gold Purchases regulates gold trade**

The Declaration on Gold Purchases of February 1944 (Gold Declaration) represented a turning point in the gold policy of the United States. It condemned all gold transactions, direct or indirect, between the neutral countries and the Axis powers, during the period of conflict in Europe and warned the neutral countries that the Allied powers would not recognize their purchases of gold from the Axis. More importantly, the United States vowed that it would not acquire this gold unless it was “fully satisfied” that the Axis had not looted it.<sup>44</sup> The declaration cast a pall on future gold transactions. For the United States, the Declaration focused on the origin of the gold entering the Federal Reserve system. The intent of the Gold Declaration was to confirm the principles enounced by the United Nations in London on January 5, 1943, regarding the Allies’ condemnation of all forms of Axis depredations in Europe aimed at civilian populations, public-sector financial establishments, and private-sector firms.<sup>45</sup>

The Gold Declaration gave the United States government a mandate to ensure that looted gold did not enter the United States Federal Reserve system. However, as previously stated, no documents were found that described the procedures used to screen this gold. Such discriminatory moves against gold inflows contradicted the long-standing gold policy of the United States not to discriminate against gold on the basis of origin. There lay the paradox of the Gold Declaration. It was a political pronouncement aimed at putting the neutral countries on notice about their gold dealings with the Axis, a non-recognition of these transactions by the Allies. Hence, the United States government

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<sup>44</sup> Declaration on Gold Purchases February 22, 1944, in Documents pertaining to Foreign Funds Control, US Treasury Department, Washington, March 30, 1944, 15-16.; Treasury department, Press Service, No. 40-77, February 22, 1944, RG 56, Entry 66A816, Box 1, File: Looted gold, General, NACP, [222673-674]

was placed in a quandary over how to enforce the Gold Declaration, if at all. The Gold Declaration was used as political leverage to convince the neutral countries to cooperate with the Allied powers. But there is no evidence that the US government applied it to gold inflows into the Federal Reserve Bank of New York and to US commercial banks licensed to purchase and sell gold bullion.

### **The Bretton Woods Conference July 1944/Resolution VI.**

No sooner had the Gold Declaration been issued than leading economists from the United States and Great Britain (namely John Maynard Keynes and Harry Dexter White) worked on plans to promote as painless a recovery as possible for the nations at war and, by extension, the rest of the world. Although both countries were commercial and financial rivals in foreign markets, they joined to promote the establishment of new financial institutions that upheld gold as a primary commodity with which to pay for international debts, but under different circumstances than in the pre-war years.<sup>45</sup> These plans materialized at the United Nations Monetary and Financial Conference held at Bretton Woods, New Hampshire, in the first three weeks of July 1944. The Bretton Woods Conference laid the groundwork for facilitating the economic recovery of the post-war world through the creation of new international financial institutions—the World Bank, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD). The American government's intention was to ordain the recovery of the postwar world with a blueprint of its own design, fashioned by

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<sup>45</sup> Declaration of January 5, 1943, on forced transfers of property in enemy-controlled territory, Documents pertaining to Foreign Funds Control, US Treasury Department, Washington, March 30, 1944, 15.

<sup>46</sup> See for example M. S. Szymczak, "Monetary and credit agreements entered into at Bretton Woods," speech before the Illinois Manufacturers Association, March 20, 1945, RG 56, OASIA, Box 14, File: Meetings with Bankers, NACP, [225957-975; and in particular 225967]. "Gold is still the most widely acceptable means of international payment..."

economists from the Federal Reserve Bank of New York (Charles Kindleberger in particular), the Morgenthau-led Treasury Department, and the State Department (Eleanor Lansing Dulles, George Kennan, and senior officials of the Financial and Monetary Branch—George Collado and Seymour Rubin, in particular).<sup>47</sup>

From this conference came a resolution inspired by Harry Dexter White and his Treasury team (Resolution VI), which aimed at preventing the use of looted and German assets in neutral countries from being cloaked, transferred or otherwise disguised to avoid Allied sanctions.<sup>48</sup> The US Treasury delegation fought for the passage of a resolution which called for the dissolution of the Bank for International Settlements (BIS).<sup>49</sup> Although both agencies sparred over the post-war fate of the BIS, neither of them expressed any concern about the identity of gold bars in the BIS account at the Federal Reserve Bank of New York.

In December 1944, the State Department scored two major victories which established its predominance over the foreign economic diplomacy of the United States in the post-war era. Firstly, its Executive Committee for Economic Foreign Policy (ECEFP) issued a directive on Allied policy which disagreed with a harsh approach to those

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<sup>47</sup> In support of that view, see Kettle, 51; and others..... The conference adopted the gold exchange standard whereby "all countries were to fix the value of their currencies in terms of gold but were required to exchange their currencies for gold. Only the dollar remained convertible into gold at \$35 per ounce..." Kettle, 51.

<sup>48</sup> Resolution No. VI of United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, July 1-July 22, 1944, regarding enemy assets and looted property, in Documents pertaining to Foreign Funds Control, United States Treasury Department, Washington, September 15, 1946, 11.

<sup>49</sup> Part of the reason for the Treasury's campaign against the BIS was White's belief that the world did not need two banks performing similar functions. In his view, the BIS undermined the authority of the newly-created International Monetary Fund (IMF) which was an American-sponsored international financial entity, while the BIS was an European instrument of international finance. Out of deference to the US' European allies, the US State Department succeeded in watering down the impact of the anti-BIS resolution, leaving the international bank's fate to be settled politically by the Allied powers at a later time. This inter-departmental quarrel mirrored deeper conflicts between Treasury and State over the treatment to be meted out to individuals and institutions suspected of having provided financial assistance to the Axis

countries that would not assist the Allies in the recovery of Axis assets to be used as reparations.<sup>50</sup> Secondly, the State Department took over the diplomatic reins of the newly-implemented Safehaven program, which sought to identify looted and Axis assets (including victim gold) in neutral countries so that these could be seized and used for reparations or restitution.<sup>51</sup>

The feud between State and Treasury over foreign economic policy masked the convergence of views that the two rival agencies held with regard to gold. The Treasury's role was to uphold the non-discriminatory nature of the US' gold purchasing policies, while the State Department's job was to maintain normalcy between the US and its commercial partners in a manner consistent with its gold policy. The United States' foreign economic policy was predicated in part on maintaining the normal flow of gold in and out of the Federal Reserve system. The continued stability of the gold trade meant that the dollar could remain strong since its value was convertible into gold and the value of other currencies was set against that of the dollar.

The Gold Declaration of February 1944 still required that the United States must not purchase any gold suspected of constituting Axis loot that was directly or indirectly

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during the war. The Treasury and the War Department accused the BIS of having been a financial agent for the German Reichsbank, helping it sell gold looted by the Nazis from central banks in occupied Europe.

<sup>50</sup> The ECEFP was an interdepartmental committee chaired by Assistant Secretary of State Dean Acheson (the architect of the compromise at Bretton Woods on the future of the BIS and of Resolution VI), the purpose of which was to help shape the formulation of American foreign economic policy in the post-war era. This Committee consisted of a dozen Federal agencies, civil and military, involved directly and indirectly in the war effort. One of its recommendations bore on the restitution of looted gold: it recommended the "replacement of gold" or the stock of monetary gold found by the Allies and pro-rated in proportion to gold losses among the Allied countries whose gold was looted. No country would receive more than the amount of its losses. NACP, Records of the Executive Committee for Economic Foreign Policy (ECEFP), RG 84, E 192, B 45, Folder "5.19B ECEFP Meetings 3. Documents 31/44-40/44", "Summary: Report on Reparations, Restitution and Property Rights -Germany, D-37/44, August 12, 1944.

<sup>51</sup> "Capital flight in the meaning of this program [Safehaven] includes... tangible objects like ... privately owned gold...". From Blockade Division to the German Property Sub-Committee, Enclosure to FEA Memorandum, September 1944, Flight of German capital; German open and secret assets abroad (with special reference to neutral countries). Papers of Marc J. Masurovsky.

acquired by a neutral country from the Axis powers. It did not prevent the buying and selling of looted gold bars and coins as long as that gold did not reach American shores. The discovery of the Reichsbank's reserves in Germany tested the resolve of US policymakers to maintain a hard-line on looted gold.

US troops crossed the Rhine river into Nazi Germany on March 24, 1945, nearly nine months after the liberation of France, Belgium, and the Netherlands. Pushing deep inside eastern Germany towards the Oder river, elements of the US Third Army under General George S. Patton discovered hundreds of millions of dollars of gold in dozens of caches along their path. The most famous of these caches held the gold reserves of the Reichsbank in a salt mine complex called Merkers near Eisenach, in the province of Thuringia<sup>52</sup> Until that discovery, Allied discussions of postwar gold policy remained abstract. The Allies were not prepared for their future role as custodians of mountains of gold bars and coins which once belonged to the institutional and individual victims of Nazism. (See Cache List in Appendix A).

In one fell swoop, thanks to the US Third Army and accompanying French troops, more than 230 million dollars' worth of gold fell into the hands of the Allies in the first half of April 1945. Since troops of more than one nation made the discovery, there could

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<sup>52</sup> A zone in Eastern Germany that had been allocated to the Soviets as part of the Yalta Agreement of February 1945 where the German Reich was partitioned into four zones of occupation. Why American troops belonging to the US Third Army under General George Patton rushed through their zone is still the subject of speculation. There is sufficient circumstantial evidence to warrant a revision of traditional explanations of the discovery of the Merkers complex. American military intelligence officials knew before March 1945 that the Reichsbank had moved many of its personnel, facilities, and valuables south of Berlin in an area encompassing Thuringia. There were also reports sent to the Office of Strategic Services station in Bern, Switzerland, that gold had been amassed in that area for possible post-defeat use by Nazi resistance units called Wehrwolf units. What The Gold Team do not know, however, is how well briefed were Patton's intelligence officers on what they could expect to find upon entering Thuringia. If Patton was aware that the Reichsbank's gold reserves lay in his troops' path, The Gold Team would have to conclude that there was a political willingness on the part of the Americans to seize the gold before the Soviets. The Gold Team know that the Soviets were highly displeased to find that the Merkers mine

be no talk of the gold constituting war booty for the United States, although the notion remained firmly entrenched in the minds of senior American officers until the summer of 1945.<sup>53</sup> In August 1945, several weeks after the Postdam conference, James Byrnes laid to rest any idea that this gold would be repatriated back to the United States to underwrite the budget of the US military (Generals McSherry and Patton's idea)<sup>54</sup> or to offset American military occupation expenses (General Clay's idea).<sup>55</sup> He ruled with the assent of President Harry Truman that there was no legal or moral basis for claiming this captured gold as booty.<sup>56</sup> Since much of this gold had been removed by the Nazis from the central banks of Allied nations, any talk of preventing the return of this gold to these despoiled nations would jeopardize United States relations with those countries. The Nazis had also incorporated an unknown amount of gold belonging to their victims into the bars and coins held at the Reichsbank, a fact that became even clearer once the Americans set about to confirm the origin of the gold they captured.<sup>57</sup>

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complex had been emptied prior to their arrival. They filed a protest to that effect with the Allied command in Germany.

<sup>53</sup> Final Report on the Paris Conference on Reparation, November 9, 1945, to December 21, 1945, James W. Angell, February 18, 1946. NACP, RG 260, Box 420, p103. [209627].

<sup>54</sup> General Frank J. McSherry, Deputy Assistant Chief of Staff, G-5 Div SHAEF laid out the principles of international law by which capturing powers took possession of property, as well as a number of Combined Chiefs of Staff Directives addressing the status of the use of assets. Memorandum "Gold bullion and other property uncovered by Third Army in Germany," from McSherry to the Chief of Staff, April 12, 1945. NACP RG 338, Entry USFET SG5, Box 13, File: 123/2. [204060-204061]

<sup>55</sup> Cable No. 3862 from Caffery to Theodore Ball, June 27, 1945. [207152-207153]; and Cable No. 3630 to AmEmb Paris from Secy of State, August 2, 1945. [207147] NACP RG 56, Accession 69A-4707, Box 80, File: Germany: Gold, Currency and Loot Recoveries-Problem of Disposition.

<sup>56</sup> Treaty of Chapultepec, Mexico City, Bretton Wood Resolution VI, July - Aug 1944; and Draft State Department Reply to Ambassador Pauley from JB Friedman, Legal Counsel for Treasury., August 17, 1945 [207108]; and Personal Memorandum from Secy of State to Ambassador Pauley, drafted from CP Kindleberger, Legal Counsel for Dept of State, August 15, 1945 [207109-207112]; and Cable No. 294, from Secy of State to US Political Advisor, Berlin, August 18, 1945 [207105-207107]. NACP RG 56, Accession 69A-4707, Box 80, File: Germany: Gold, Currency and Loot Recoveries-Problem of Disposition.

<sup>57</sup> The Merklers find brought to light the grizzly practices of the Nazis who melted down the valuables of their victims into gold bars and extracted the gold fillings from their teeth in order to melt the gold content into bars. American investigators sifting through captured Reichsbank records discovered that gold from Nazi victims entered the Reichsbank in its original form—jewelry, coin bars, coins, accessories—and was



The question still remained about what to do with all this captured gold. After all, the US Army was not in the business of administering captured assets and handling their distribution. But the situation facing the US Army was unique, the thefts perpetrated against civilian populations and financial institutions by the political, security and military forces of the Third Reich were unprecedented. Therefore, unique solutions would have to be contrived to address the proper disposal of these captured assets, and, in particular, of the gold in custody of the US forces.

Soon after the Merkers discovery, Colonel Bernard Bernstein, former official of the US Treasury Department, then director of the Finance Division, G-5, of the Occupation Military Government United States (OMGUS), organized the transfer of this gold to the vaults of the former Reichsbank in Frankfurt am Main, regional headquarters of the American military government in Germany. The gold and the other valuables found at the salt mines were sorted and stored in the administrative custody of the Foreign Exchange Depository (FED). This American-led institution, established on April 11, 1945, was designed to centralize all loot found by Allied forces in the western zones of occupation of Germany and Austria, as well as by troops operating in northern Italy, until senior military and civilian leaders of the western Allied powers determined the fate of these assets.

The War Department, in its discussions over what to do with the gold seized at Merkers, differentiated between items that had belonged to victims and gold that could not be identified as belonging to victims, but that was of a degree of fineness and shape sufficient to be incorporated into the monetary reserves of a central bank. The former

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melted down together with other gold to produce refined bars, the gold content of which was sufficiently high (90% or more) to qualify as monetary gold. Two-thirds of the bars found at Merkers were Prussian

was referred to as non-monetary gold<sup>58</sup> and the latter as monetary gold. The American military also seized gold that was neither monetary nor non-monetary. It clearly was identifiable because it belonged to residents of Germany at the time of the Allied victory, but it was not monetary because its degree of fineness was too low for it to be integrated into the reserves of a central bank. This particular form of gold was eventually referred to as Law 53 gold because it had been seized as a foreign exchange asset under Military Government Law No. 53, enacted in May 1945.<sup>59</sup>

The American military authorities in charge of the FED sought counsel from civilian policymakers in Washington over the disposition of gold and other assets in their custody. A delegation of specialists from the Treasury, the Mint, and the Federal Reserve assisted the FED in its inventory of the Merkers gold and produced an initial estimate in August 1945.

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Mint bars. See Slany I, 162-171.

<sup>58</sup> gold that had been surrendered by individuals to the Germans and other gold that had not been part of a country's monetary reserve. Draft Cable, E.J. Cassoday (OMGUS) to Chief of Staff, United States Army, February 2, 1948, NACP, RG 260, FED, Box 444 [200965-967].

<sup>59</sup> Private-sector gold, Law 53 gold, non-monetary monetary gold—these were some of the expressions used to characterize this type of gold for which the American restitution bureaucracy had no clear-cut method of treatment and distribution. Ultimately, most of the Law 53 gold—which was identifiable—was infused into the German economy. Some of it found its way into the Federal Reserve Bank of New York. Abba Schwartz, representative of the Inter-Governmental Committee on Refugees (IGCR) in the US zones of Germany and Austria, claimed the Law 53 gold as heirless gold to be used for relief and rehabilitation. The Gold Team does not know whether the US military officials in charge of the FED and at the Finance Division of OMGUS honored Schwartz' request. NACP, RG 260, FED B 394, H. D. Cragon to Commanding Generals, 31 May 1945. Although the FED was supposed to receive all Law 53 deposits, as a result of the redeployment of personnel in late 1945, early 1946, that task was reduced to the receipt of specific classes of Law 53 assets, pursuant to instructions from the Foreign Exchange and Blocking Control branch of the Office of Finance, OMGUS. In one case, a deposit of securities found at the Dresdner Bank of Munich was not qualified as a Law 53 asset because its owner was clearly a Nazi institution—the NSDAP. Brey points out that most of these assets have not been inventoried. Among these assets are gold coins, gold bars, and gold powder from Reichsbank branches in the Russian zone of Occupation. NACP, RG 260 FED B 395, William Brey to Deputy Director of Finance, OMGUS, 9 October 1947; Paragraph 16-624.1 of Military Law 53 defined commercial gold and silver as “gold and silver whereof less than eighty (80) per cent of the value derives from the value of the gold or silver content, as distinguished from the value of other materials or workmanship involved. Metal in this form is considered as not in bullion form, and hence as not falling under Article VII, 11 d, v. of Military Government Law No. 53.” Paragraph 16-625 referred to Property of Stateless and Displaced Persons in

Meanwhile, the State Department and the Treasury ignored the difference between victim gold and monetary gold in their dealings with the neutral countries over the restitution of looted gold and other valuables.<sup>60</sup> It is as if the notion of victim gold was relevant to events in the European Theater of Operations, but somehow did not fit into the diplomatic negotiations now being undertaken by State and Treasury officials with the governments of the neutral countries. Such compartmentalization and non-differentiation between victim gold and monetary gold mitigated against the likelihood that victims of the Holocaust obtaining greater compensation for the harm and misery that they had been put through during the Nazi years. No documents were found that explained why victim gold did not enter into the discussions with the neutral countries. The conclusion, therefore, is that State and Treasury officials made no attempts to differentiate between gold having belonged to individual victims and gold that was stolen from the monetary reserves of occupied countries in their looted gold negotiations with the neutral countries. US officials were anxious to reach settlements with the governments of neutral countries over how much gold should be restituted to the Allies for the purpose of compensating nations that had lost part of their monetary reserves during the war.

### **The gold pool**

For a short while, American officials discussed the possibility of returning to the rightful owner the gold that was identified as being its property. For instance, gold identified as belonging to the National Bank of Belgium would be returned to the Belgian

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Germany. These individuals were obligated under Law 53 to hand over to MG authorities their "foreign exchange assets."

government and so forth. But this option was turned down because State Department officials believed that it would lead to great imbalances in the distribution of gold from one country to the next. Furthermore, as Treasury investigators uncovered in their examination of captured Reichsbank records, many gold bars and coins that were originally minted in Belgium and the Netherlands were melted down into Prussian Mint bars to hide their original provenance.

Identifiability entered the gold restitution debate.<sup>61</sup> Laborious research was needed to retrace the process by which bars had been confiscated, transferred to Berlin, sent to the Prussian Mint, melted down and recast into Prussian Mint bars, stamped in some cases with pre-war dates to hide their looted status, placed in the monetary reserves of the Reichsbank. In most cases, these bars were then shipped to the Reichsbank depot account at the Swiss National Bank or sold to the central banks of neutral countries for an equivalent amount of foreign exchange—Swiss francs, US dollars, Portuguese escudos, for the most part.

In the fall of 1945, State Department officials pressed its Allies to accept the idea of placing all the captured gold into a gold pot from which the gold would be distributed on a pro-rated basis which would be equitable for all countries laying claims to the captured gold.<sup>62</sup> The gold pot eliminated the issue of identifiability.<sup>63</sup> No despoiled

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<sup>60</sup> Slany II, 46. Dr. Slany notes in the case of Portugal that no effort was made to determine victim origin of the gold that the Portuguese government acquired from Germany or received from Germany in payment for war materials.

<sup>61</sup> In the wake of the Merkers discovery, the State Department worried about the political implications of restituting identifiable gold to the country of origin: "...Department believes gold recovered in Germany should be presumed to be unidentifiable unless convincing evidence to the contrary can be presented." From Grew to Winant, April 27, 1945, No. 3315, FRUS, Diplomatic Papers, 1945, Volume III, pp. 1200-1201, Department of State Publication 8364.

<sup>62</sup> The idea of the gold pot had already been established in late April 1945. From Byrnes to Harriman, April 28, 1945, No. 970, , FRUS, Diplomatic Papers, 1945, Volume III, pp. 1201-1202, Department of State Publication 8364.

country could receive its own gold since most of it was difficult to identify. In the minds of State Department officials, time was of the essence to return as much as gold as possible to nations recovering from the war years.<sup>64</sup> US officials viewed the return of the gold as a necessity in a world where the value of a nation's currency rested on the stability of the gold market.<sup>65</sup> Thus, the restitution of monetary gold became an integral part of post-war American foreign economic policy towards formerly occupied countries.

The policy of restitution of monetary gold was intertwined with the need to build strong political and security ties with those recipients of restituted gold; the ultimate political objective of this policy was to deter those countries from falling under the sway of the Soviet Union and to defeat perceived Soviet attempts at subverting the internal stability of Western European nations. In order to pay for needed commodities, these countries had to obtain dollars. The only way that they could gain access to dollars was by selling their gold reserves and receiving loans from the IMF. The sooner these

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<sup>63</sup> "For administrative convenience (since a great deal of the gold is either unidentifiable or bears questionable markings) as well as for reasons of economic policy regarding gold, it was desirable to avoid the restitution of identifiable gold to particular countries." Final Report on the Paris Conference on Reparation, November 9, 1945, to December 21, 1945, James W. Angell, February 18, 1946. NACP, RG 260. Box 420. PP 103-104. [217961- 962].

<sup>64</sup> Many European countries recovering from the woes of the Second World War were forced to sell a considerable portion of their gold reserves in order to pay for critical imports. These reserves fell from \$10.6 billion in 1945 to \$7.6 billion in late 1947. However, owing to increased earnings on world markets and considerable foreign aid from the United States, these same countries were able to sustain their recovery during 1948 and 1949. Nevertheless, US officials made a strong case for early restitutions of monetary gold to those countries in 1947 and 1948. See Intelligence Report No. 7616, Europe's dollar balance, prepared by the Division of Research and Analysis for Western Europe and Division of Functional Intelligence, December 11, 1957, page 21, RG 56, Entry 68A2809, Box 28, EUR/3/00, NACP. There is no consensus on whether the fears of the US foreign policy establishment were well-founded that the restitutions of monetary gold needed to be accelerated in the late 1940s in order to prevent major economic catastrophes in Western Europe. Perhaps, the hysteria over the paucity of means was partly orchestrated to justify hard-driving American posturing in Western Europe against the Soviets as much as to convince the Europeans to accept the American model for post-war recovery that was enshrined at Bretton Woods.

<sup>65</sup> See W. J. Busschau, Notes and Statistics on Gold, April 26, 1957, RG 56, Entry 68A2809, Box 26, World/2/300 Gold report and statistics, Vol. I, NACP. Busschau argues that "the official hoarders of gold (State treasuries and Central banks) remain eager to acquire the metal, and freely accept it in payment of international debts. Gold offered in payment through official transactions remains a means of acquiring

countries were handed gold from the gold pot as restitution for their wartime losses, the sooner they could convert these gold inflows into dollars, pay for imports with these newly-acquired dollars, and help subsidize the expansion and growth of America's export economy. It was a well-hewn plan hinging on one fundamental principle: maintain the primacy of gold as the engine of international trade.

The gold pool was the principal mechanism of restitution of monetary gold at the Paris Reparations Conference of November-December 1945. The principles of the Paris Reparations Conference were ratified in mid-January 1946 and a formula was approved to compensate victims of the Holocaust. Later on that year, an entity called the Tripartite Commission for the Restitution of Monetary Gold (TGC) was created in September 1946 to oversee the distribution of the monetary gold.<sup>66</sup> At this time, the Allied powers were ensconced in bitter negotiations with the Swiss government over its transactions in looted gold and the amount of so-called German liquid and tangible assets in Switzerland available for seizure by the Allies for reparations purposes.

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any paper currency, while gold has been given a definite place as a means of discharge of international indebtedness..." (page 1).

<sup>66</sup> Letter Russell H. Dorr to Sir Desmond Morton, June 7, 1946 with attached United States Proposal for establishing a Tripartite Commission on Restitution of Gold, NACP, RG 84, Entry 2113M, Box 1 [206290-292]. "Terms of Reference," Tripartite Commission for the Restitution of Monetary Gold, copy of page 563 of The Department of State Bulletin, Vol. XV, No. 378, September 29, 1946. RG 84, Entry 2113M, Box 1 [206288-289]. The Tripartite Commission for the Restitution of Monetary Gold (TGC) was established to fulfill the obligations of the governments of the U.S., the U.K. and France in connection with Part III of the Paris Agreement on Reparation. The Paris Agreement had mandated the restitution of a pool of looted monetary gold that had been found in Germany by Allied forces or recovered from third countries to which it had been transferred from Germany. Officially beginning on September 27, 1946, The Commission met in Brussels, Belgium, where each of the three governments was represented by a commissioner and a deputy commissioner. After the war, the bulk of the gold destined for the gold pool was held at the Foreign Exchange Depository in Frankfurt. Soon, the TGC opened a gold account at the Federal Reserve Bank, New York, later at the Bank of England, still later at the Bank of France. The Gold Commission was responsible for the restitution of 10,817,021.139 ounces (336,446.9667 kg) of fine gold, valued, using the post-War price of \$35/ounce, at over \$378,595,739. The Commission solicited claims, and required detailed and verifiable evidence from claimant countries to support them.

The May 24, 1946, Washington Accord between the Allies and the Swiss government accelerated the weakening of the Gold Declaration of February 1944. The Allies agreed to give a "clean bill of health" to the looted gold that the Swiss had acquired from the Germans. Thus, any looted gold in the possession of the Swiss government at the time of the signing of the Washington Accord no longer was subject to seizure for inclusion in the gold pot.

The Washington Accord removed one of the biggest hurdles facing the free flow of monetary gold in the postwar world. Any looted gold transferred by the Swiss government to its earmark accounts in neutral countries, Great Britain, the United States, and elsewhere was allowed to circulate freely in the international gold marketplace. Since the Swiss National Bank had acted as a fiscal agent for the Reichsbank in its gold transactions, any gold held by the Swiss for account of the Reichsbank was off-premise and could not be subject to claims by despoiled countries or to seizure by Allied authorities as a German external asset.

In July 1946, the Allies signed a similar agreement with the Swedish government over looted gold that the Sveriges Riksbank had acquired from the Germans during the war. The Swedish Accord created the precedent by which looted bars acquired through third-party transactions from the Reichsbank were exempt from claims and seizure. It overturned a key component of the Gold Declaration of February 1944 whereby the Allies condemned all transactions, both direct and indirect, involving gold purchases by the neutrals from the Axis.<sup>67</sup>

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<sup>67</sup> When the Swedish government expressed its intention to return looted gold in its possession regardless of source, the US negotiators—Seymour Rubin of the State Department and Orvis Schmidt of the Treasury Department—responded in the following manner: "It was suggested that Sweden subscribe to the theory that the first purchaser of loot is liable for restitution, in order to avoid a claim arising against a first

The Allies gave this gold a clean bill of health in exchange for the few concessions that the Swedish government was willing to grant them. The Swiss and Swedish accords provided the legitimacy needed for the Federal Reserve Bank of New York to pursue its long-standing non-discriminatory policy towards gold inflows into the United States, regardless of the origin of the gold, whether it be victim gold that had been re-melted into monetary gold or monetary gold taken from central banks in Europe either recast into Prussian Mint bars or bearing the stamps of the Reichsbank.

According to Dr. William Slany, chief historian of the Department of the State, the decision to overturn or weaken the Gold Declaration was arbitrary and not founded on any law, it was clearly a foreign policy decision aimed at ensuring normalcy in the gold trade, good relations with the neutrals in the post-war era, and reassuring the FRBNY that it could continue to buy gold unfettered by considerations of origin.<sup>68</sup> This decision exempted all indirect transactions involving looted gold from claims and seizure by Allies.

The Allied settlements gave all looted bars and coins a clean bill of health, including Prussian Mint bars. But the United States government somehow could not get around to treating these bars in the same fashion as it treated other gold bars of various refiners. Until 1956, the Treasury Department was very careful about the acquisition of

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purchaser after loot had been restituted by a second or later purchaser, as in other business transactions. Mr. Valensi [the French negotiator] pointed out that the Swiss government had settled on this first purchaser principle. In support of the first purchaser principle, Mr. Schmidt explained that law and equity considerations lead to the utilization of this particular theory as well as practical considerations. Mr. Schmidt explained that in our view Swedish hands were clean in the gold dealings with Germany, but that Sweden should have examined more carefully gold purchases for loot bearing in mind the old concept of caveat emptor." The Swedish government reaffirmed that it wished to reconstitute all looted gold in its possession, regardless of source, and that it had accepted the German iterations of the origin of the gold as being of pre-war mintage. See Minutes of Swedish-Allied Safehaven negotiations of June 13, 1946, as Enclosure to Despatch No. 1503 from Department of State to the Officer in charge of the American



of Prussian mint bars by the US government. FRBNY officials conducted several audits of the gold bars earmarked in foreign central bank accounts to determine the number of Prussian Mint bars on deposit in their midst. Treasury officials also raised concerns about the pledging of these bars as collateral for international loans financed by American commercial banks.<sup>69</sup>

Treasury officials reported in 1949 that bars shipped by the Bank of Portugal to its earmark account at FRBNY and which were slated for transfer to the account of the BIS were "Gold Declaration" bars, i.e., of looted origin.<sup>70</sup> Nothing was done to prevent the transaction, although the United States had not yet signed a gold settlement with the Portuguese government, an action that would have effectively "washed"<sup>71</sup> all looted bars shipped by that bank to the FRBNY either on depot or for sale to the Exchange Stabilization Fund.<sup>72</sup>

Although concerned about remaining in compliance with international agreements governing looted gold, Federal Reserve Bank officials recorded their annoyance in the late 1940s at impediments to the free flow of gold in the international marketplace and

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Mission, Stockholm, Secret, July 30, 1946, RG 84, US Embassy in Stockholm, Sweden, Entry 3197, Confidential Files, Box 5, File: Safehaven, 1946, NACP, [ ], pp. 3-4.

<sup>68</sup> Interview with Dr. William Slany, June 23, 2000.

<sup>69</sup> An apparent inconsistency considering the fact that there were no legitimate reasons in the eyes of the Federal government to reserve these bars for special handling since the settlements had "washed" their provenance.

<sup>70</sup> E. B. Keyes[FRBNY] to E. S. Rothman [FRBNY], April 8, 1952, Gold bars imported from Poland and 11 gold bars imported from Portugal and earmarked for BIS a/c, Foreign Department Divisional Files, RG Non-records reference materials, Federal Reserve Bank of New York, Box 2, Binder 6, NACP, 205130.

<sup>71</sup> The gold settlements which the United States signed with the various neutral countries effectively exempted the looted gold still in the possession of these countries to be freely transacted with other central banks without fear of being attached by or subject to claims from countries that had lost these bars under Nazi rule. In other words, the gold settlements facilitated the re-circulation of looted gold on the international gold market.

<sup>72</sup> As a further indication of the loss of interest by US government officials in the enforcement of the Gold Declaration, the Treasury Department's Legal Division informed the FRBNY in July 1949 that Portugal was the only country of which the gold shipments to the United States were being screened under the Gold Declaration. They were no longer interested in lists of gold bars imported from other neutral countries.

wished for the day when they would not have to explain to their foreign clients why there were so many restrictions placed on the circulation of gold.<sup>73</sup> Clearly, the various international declarations passed by the Allied powers and endorsed or sponsored by the United States government since 1943 were not good for business as usual. But the Allied agreements removed all fears of regulation, oversight, monitoring, and intervention by the Federal government from the gold market.<sup>74</sup>

The Allied settlement with Spain in May 1948 confirmed the results of the Swedish settlement and upped the negotiating ante by one rung. Of 94 tons of looted gold that the Spanish government was suspected of having purchased directly or indirectly from the Reichsbank between 1942 and 1944, the Allies held the Spaniards accountable for only eight bars of clearly identifiable Dutch gold.<sup>75</sup> The Allies exempted

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Pricher to Files, July 11, 1949, RG 82, Non-record reference materials, Federal Reserve Bank of New York, Box 2, Binder 6, NACP, 205021.

<sup>73</sup> Exter to Overby, August 6, 1956, RG Non-record reference materials, Federal Reserve Bank of New York, Box 2, Binder 6, NACP, 205116.

<sup>74</sup> Norman P. Davis to Elting Arnold, January 12, 1956, Prussian Mint gold bars, RG Non-record reference materials, Federal Reserve Bank of New York, Box 2, Binder 6, NACP, 205118. "Accordingly, the Prussian Mint bars distributed by the [TGC] have been given a 'clean bill of health'; and similarly such Prussian Mint bars that were held by Switzerland at the time of the 1946 Understanding have likewise received such a 'clean bill of health';... other Prussian bars of whose existence we are aware have been given a 'clean bill of health' under international arrangements to which the United States government has been a party."

<sup>75</sup> When the State Department negotiators were given the opportunity to review the gold ledgers of the Spanish Institute for Foreign Exchange (IEME), they took into consideration the "direct purchases" of gold from the Axis but they excluded all "transfers of gold for the account of the Reichsbank." The negotiators confirmed that "many of the bars" were looted but they would not hold the Spaniards responsible for these bars because of the first purchaser principle enforced in the Swiss and Swedish agreements. Harold M. Randall, commercial attaché, US Embassy in Madrid, Spain, to Secretary of State, Despatch No. 5, Preliminary report on study of Spanish gold holdings, January 2, 1948, RG 56, Entry 66A816, Box 2, File: Looted gold: Spain, Vol. I, NACP, [ ]. Also cited in Slany II, 78, fn. 74. There is no reference to this crucial distinction in Slany II, the application of which depressed severely the estimates of looted gold shipped to Spain from the Axis with or without the assistance of the Swiss National Bank. Nevertheless, Dr. William Slany, in response to Spanish complaints about his findings regarding Spanish wartime acquisitions of looted gold, observed that a large percentage of the gold imports into Spain were made in payment for the illegal wolfram trade with the Axis, thereby inferring that the U.S. relied on an incomplete set of records dealing with these gold inflows. The Spanish Commission reiterated the findings of the US Embassy in its 1997 report by not taking into account those gold imports which were not recorded at the IEME. Furthermore, according to Dr. Slany, the Spanish Commission did not seek out "the records of SOFINDUS, the Spanish Foreign Ministry, or any broader span of official wartime records" to complete its

purchases made through the Bank of Portugal, the Swiss National Bank, or other financial institutions, by declaring that the Spanish government had acquired them in good faith, i.e., with no prior knowledge of their looted status. In exchange for this explicit statement of good faith, the Spanish government signed the settlement with the Allies. The agreement lifted all restrictions on Spanish international gold transactions and released Spain from all responsibilities under the Gold Declaration of 1944. For instance, it could use the looted gold that it had not surrendered to the Allies as guarantees for commercial loans.<sup>76</sup>

The Turkish government, although willing to surrender the equivalent of \$3.4 million of gold to the Allies, never signed a gold restitution agreement with the Allies.<sup>77</sup> Despite its refusal to comply with wartime international declarations against Axis looting, Turkey was nevertheless admitted to the World Bank and the International Monetary Fund, and benefited from international loans and grants in the postwar era that the National Advisory Council of the Federal Reserve System (NAC) favored for the sake of postwar international security. The Allies were not willing to jeopardize major security negotiations with the Turks for the sake of restituting some three and a half million dollars of looted gold. To this day the Turkish government has not surrendered a single coin or bar as restitution for the looted gold that it received during the war in payment for chromite and other strategic commodities.

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investigations into looted gold inflows in Spain during the war. Those records would have confirmed wartime and postwar US findings pertaining to the massive flow of gold into Spain between 1942 and 1945. William Z. Slany to Under Secretary Eizenstat, June 25, 1998, The Use of Looted Gold to Finance German Wartime Imports from Spain, Particularly Wolfram, p. 2, Office of the Historian, US Department of State.

<sup>76</sup> Enclosure No. 1 from Paul Culbertson. Charge d'affaires ad interim, May 10, 1948, to Despatch No. 254, signed by Harold M. Randall, Commercial Attache, US Embassy in Madrid, Spain, to Secretary of State, Confidential, RG 59, Confidential Files, 800.515/5-1048 Series, Box 4245, NACP, [ ].

<sup>77</sup> The Allies rejected the Turkish offer as too small.

The Allies settled the looted gold issue with the Portuguese government in late 1957. As with the Spanish settlement, the Portuguese government insisted that it had purchased the looted gold in good faith and would only return a tenth of what it acknowledged that it had acquired during the wartime years, or less than four tons.<sup>78</sup> Once again, international security arrangements dominated the conversations between the negotiators.

The gold policy of the United States was not designed to be flexible in any way, shape or form. It is unclear whether the framers of the Gold Reserve Act of 1934 had envisioned a fixed price for gold as a permanent fixture of the international monetary system. Even Roosevelt had expressed reservations about maintaining the dollar gold standard. But the United States government was ensnared in its own logic by accepting to become the global storehouse of monetary gold. Morgenthau and White turned the situation to the advantage of the United States. They articulated a master plan by which the United States would become the major economic power broker of the postwar world.

The gold settlements with the neutral countries produced political and economic results that had far-reaching consequences in the postwar world. On the international political front, the Portuguese government gave the United States access to the Azores Islands for five years as forward air bases for the US armed forces. The Turkish

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<sup>78</sup> The Bank of Portugal was brazen enough to assure the US Ambassador in Lisbon, Portugal, that "no gold was ever shipped to Portugal from Germany" and that gold from Germany came indirectly through other countries. At the time that the Portuguese central bank made this claim, the US had enough information in hand to demonstrate that the Portuguese government had purchased substantial quantities of looted gold directly from the German Reichsbank's depot in the Swiss National Bank. Baruch to Secretary of State, No. 390, Secret, May 4, 1946, RG 131, Entry: Foreign Funds Control, Box 335, File: Pehle, John, NACP, 207942-943. When the Portuguese government offered to sell part of its gold holdings to the Polish and Swiss central banks in 1947, the American response consisted of providing "friendly advice" to the Portuguese government not to sell the gold until a settlement was reached over looted gold. From Douglas, London, to Secretary of State, No. 2463, April 28, 1947, RG 131, Entry Foreign Funds Control, Box 325, File: Pehle, John, NACP, [207915].

authorities allowed the United States to build bases in Turkey for the purpose of listening in on the Soviets. The Spanish government allowed the United States Navy to build a major re-supply station on its Mediterranean coast. Switzerland became the most important postwar gold broker in Europe, a good reason for which the United States government encouraged good relations between the Federal Reserve system and the Swiss National Bank. Sweden also offered strategic benefits to the American military because of its position as a northern listening post and monitoring station of Soviet activity.

The two Slany reports spent little time explaining the glaring inconsistencies pertaining to the actual amounts of gold that the neutral countries had accepted from the Axis as payment for commodities and foreign exchange. The Gold Team's research indicates that the Allied negotiating teams were unable to reconcile their estimates of looted gold purchased by and transferred to the neutral countries during the war. In the rush to settle with the Swiss government—the main recipient of gold looted by the Axis powers—the US government offered a minimal and a maximal estimate of looted gold acquired by the neutrals between September 1, 1939, and May 8, 1945. US negotiators, who took the lead in all the gold settlement talks, were free to work within such a range without fear of misrepresenting the actual inflow of looted gold into the neutral countries. For the purpose of obtaining concessions from the neutral countries, the US negotiators acted in concert with their British and French colleagues to bring down the estimated totals to “reasonable” levels from which to begin a negotiation that would lead to the desired outcome—a settlement on a symbolic amount of gold to be restituted to the TGC in exchange for significant political, strategic, and commercial concessions. The most

important outcome of these settlements was the reaffirmation of the gold policy of the United States, according to which gold should be free to circulate regardless of origin.<sup>79</sup>

The gold identified by the US as looted but which did not figure in the final restitution settlements was released for circulation.

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<sup>79</sup> When the negotiations with the Portuguese government failed to produce a settlement, Seymour Rubin, the chief State Department negotiator of the Swiss and Swedish agreements, advised his colleagues at the State Department that the lack of an agreement with Portugal meant that the United States was "compelled to continue indefinitely its policy of non-acquisition of gold from Portugal." He also warned that failure to reach an agreement implied that a "new method of dealing with this problem" would be used upon recommendation by the Inter-Allied Reparations Agency (IARA) assembly. The Gold Team has not been able to ascertain the exact role that the IARA played in the gold settlements with the neutral countries. But it is a topic worthy of pursuit, due to the major discrepancies between estimates of looted gold in those countries and amounts actually restituted. Seymour Rubin to Mr. Baker [George Baker], Subject: Portuguese Gold negotiations, October 23, 1947, RG 59, Lot 70D516, Box 13, File: Spanish loan to Portuguese, NACP, 207716-717.